

Georgia: Operational Environment

Bank Republic: Overview, Strategy, and you

Georgia



Sovereign Rating: B+/Positive/B



2006 Economic Freedom Category:
Mostly Free



Doing Business in 2006/Global Ranking:

- 2nd in the world
- 1st in CIS

Georgia: Some Economic Indicators

Real GDP Growth Rate: FY2003 $\xrightarrow{6.2\%}$ FY2004 $\xrightarrow{8.7\%}$ FY2005 est.

Consumer Price Index: FY2003 $\xrightarrow{7.5\%}$ FY2004 $\xrightarrow{6.2\%}$ FY2005

Growth of Industrial Productions: FY2003 $\xrightarrow{10\%}$ FY2004 $\xrightarrow{10\%}$ FY2005

Average Export Growth: FY2003 $\xrightarrow{35\%}$ FY2004 $\xrightarrow{35\%}$ FY2005

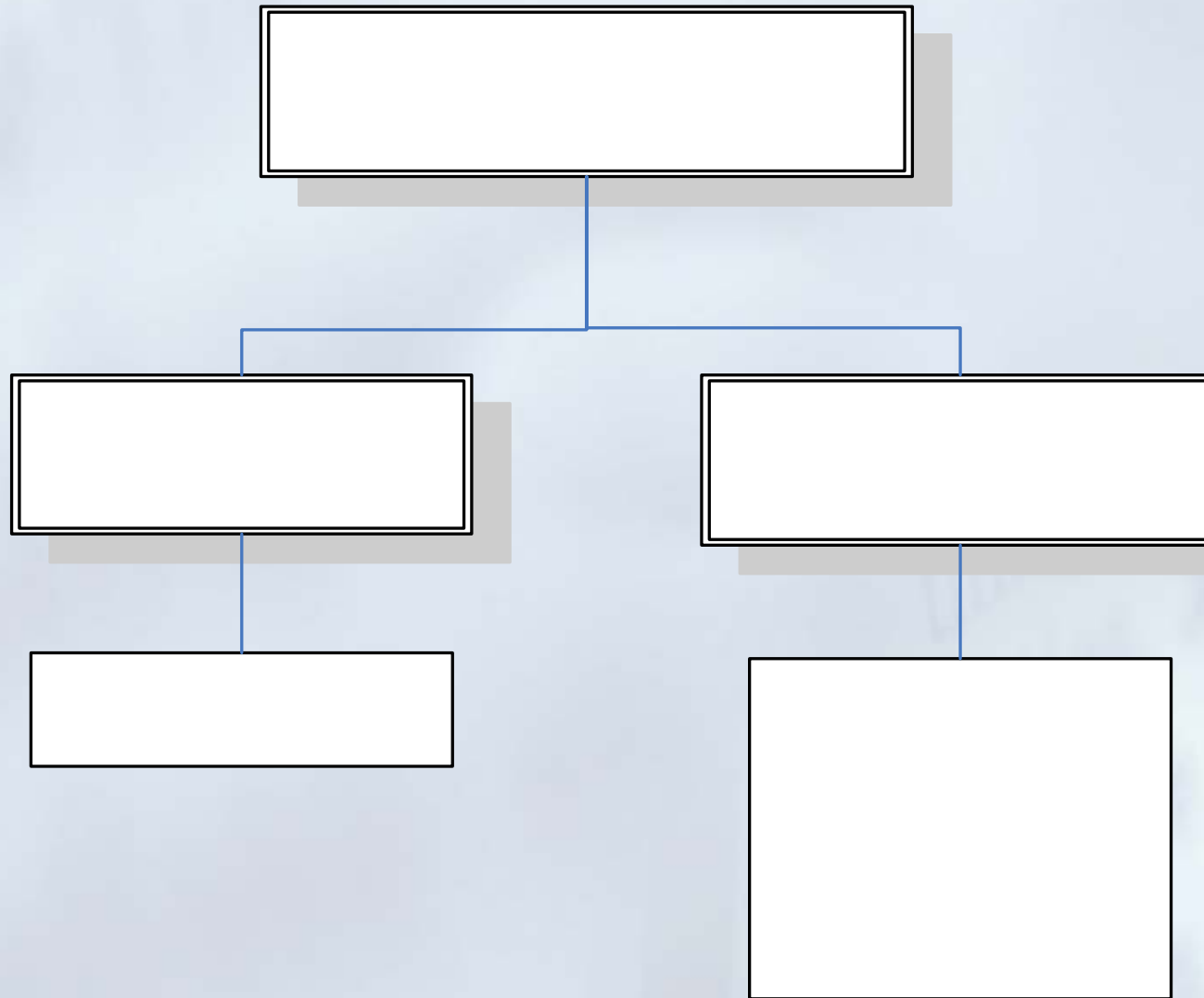
Income of Households: FY2003 $\xrightarrow{10\%}$ FY2004 $\xrightarrow{10\%}$

September, 2005

Financial system/How are businesses financed?

- Georgia: Highly “bank based” financial system
- 19 Commercial banks, 12 with some foreign shareholding
- 40 non-bank depository institutions (credit unions)
- 1 Stock Exchange
- 16 insurance companies and 3 pension funds
- Investment Banks, Equity Funds, Leasing, MFIs, other

Financial system/How are businesses financed?



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Trends of Georgian financial industry

- Absolute majority of financial assets concentrated in commercial banks
- Financial intermediaries turning in groups, with major focus on Commercial Banks
- % on commercial loans: 2004 Average – 20.5%; 2005 Average – 17.5%
- % on deposits: 2004 Average – 8.1%; 2005 Average – 7.2%
- Somewhat limited access to long-term fund
- Increase in consumer spending and investments, slow growth with savings
- Decreasing dolarization, more trust in GEL and banking industry
- Limited number of financial instruments

JSC Bank Republic

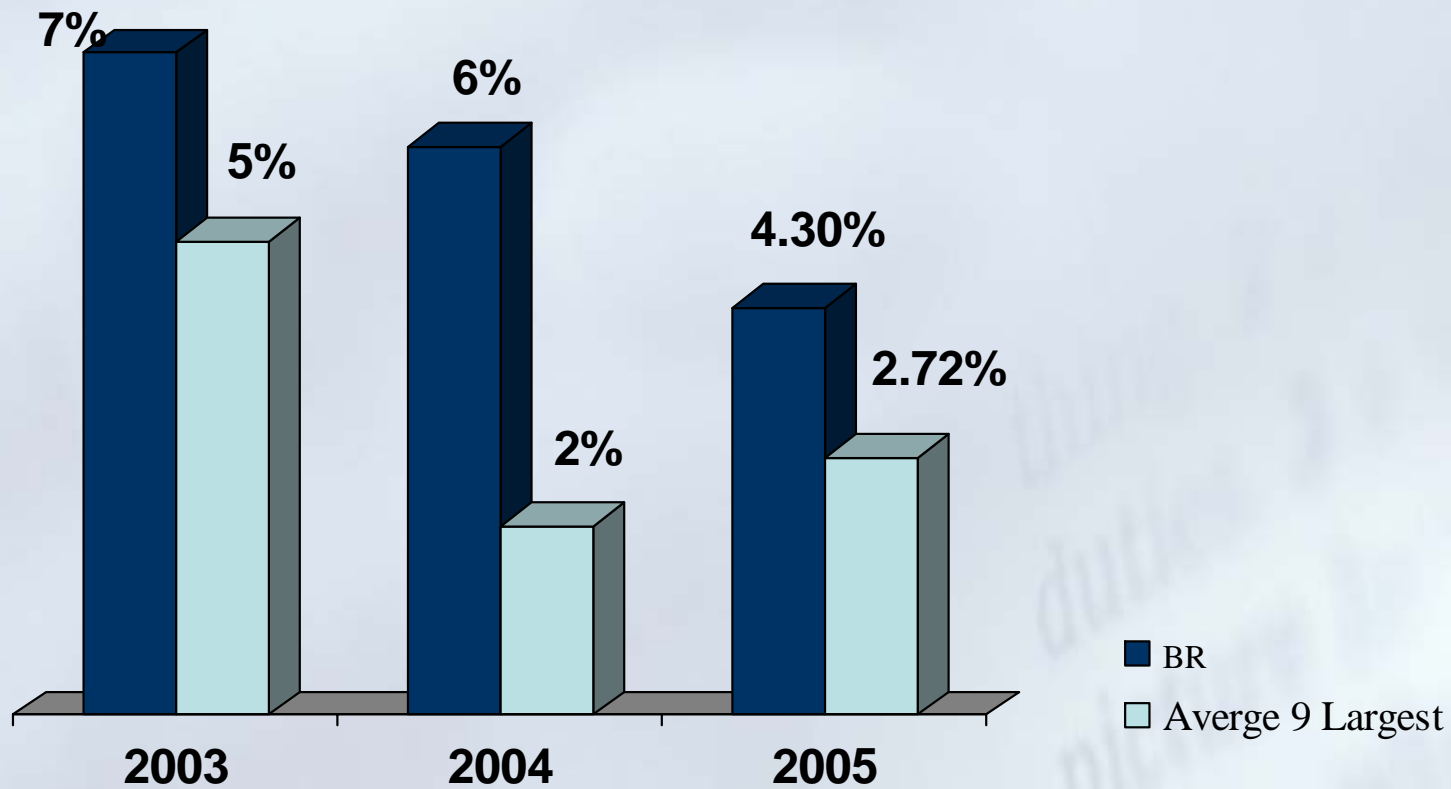
- Overview
- Strategy
- How we approach you

Market Shares: BR vs. Top 9 Banks

	Bank Republic	Nine Largest Banks
Total Assets	9%	91%
Customer Accounts	11.5%	88.5%
Net Income	13%	87%
Current Deposits	14%	86%
Time Deposits	12%	88%

Overview: BR Today. . .

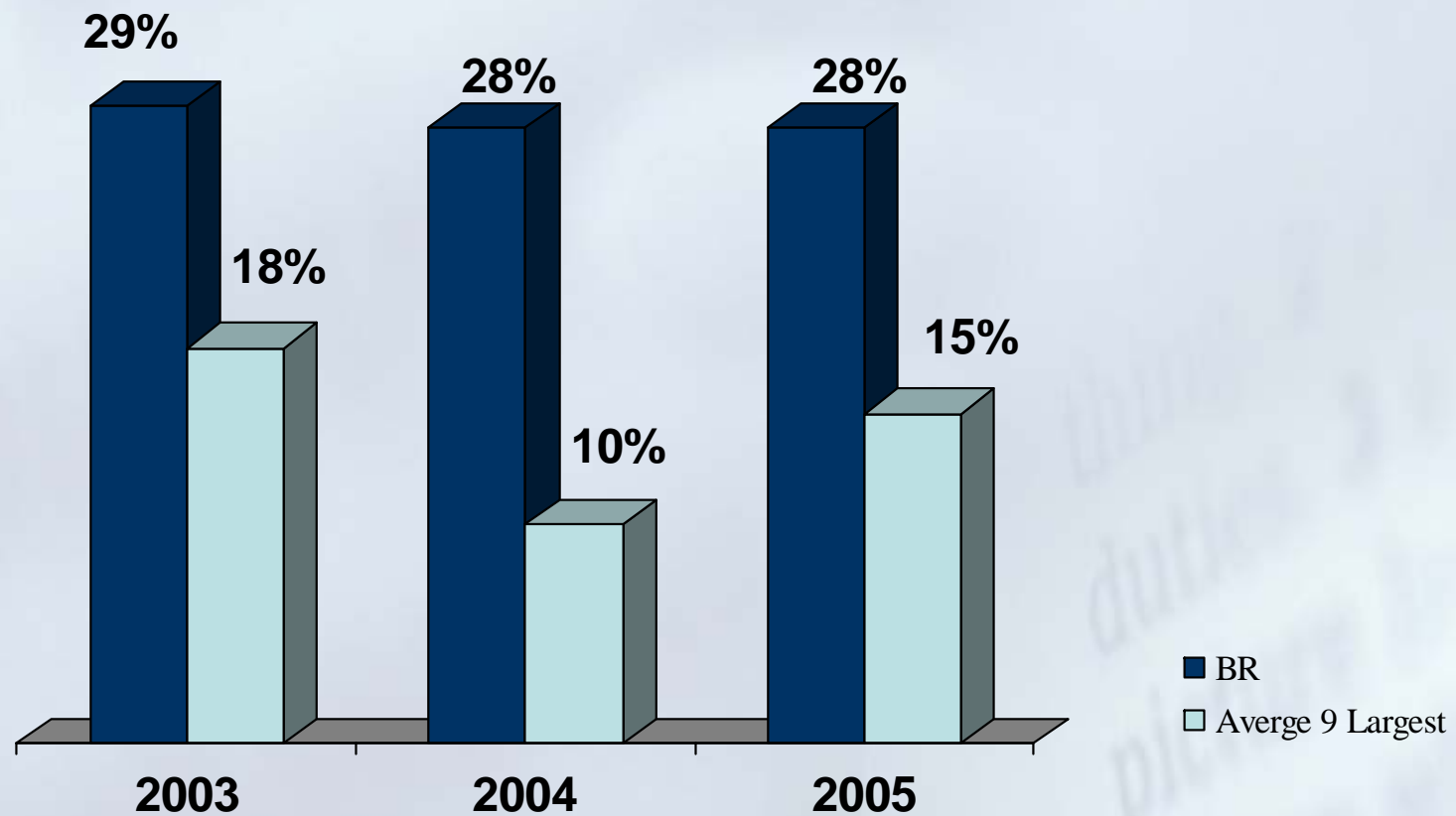
ROA*



*EBT/Total Assets

Overview: BR Today. . .

ROE*



*EBT/Shareholders Capital

Overview: Universal financial services

Corporate Banking

- ⇒ Commercial Loans
- ⇒ Trade Finance
- ⇒ Treasury Services
- ⇒ Project Finance
- ⇒ Insurance

Retail Banking

- ⇒ Consumer Lending
- ⇒ Card Business
- ⇒ Mortgage Loans
- ⇒ Private Banking
- ⇒ Insurance & Pensions
- ⇒ Electronic Services

Through cost efficient alliances with our partners, customers are also offered financial services such as brokerage, investment banking, asset management, advisory services.

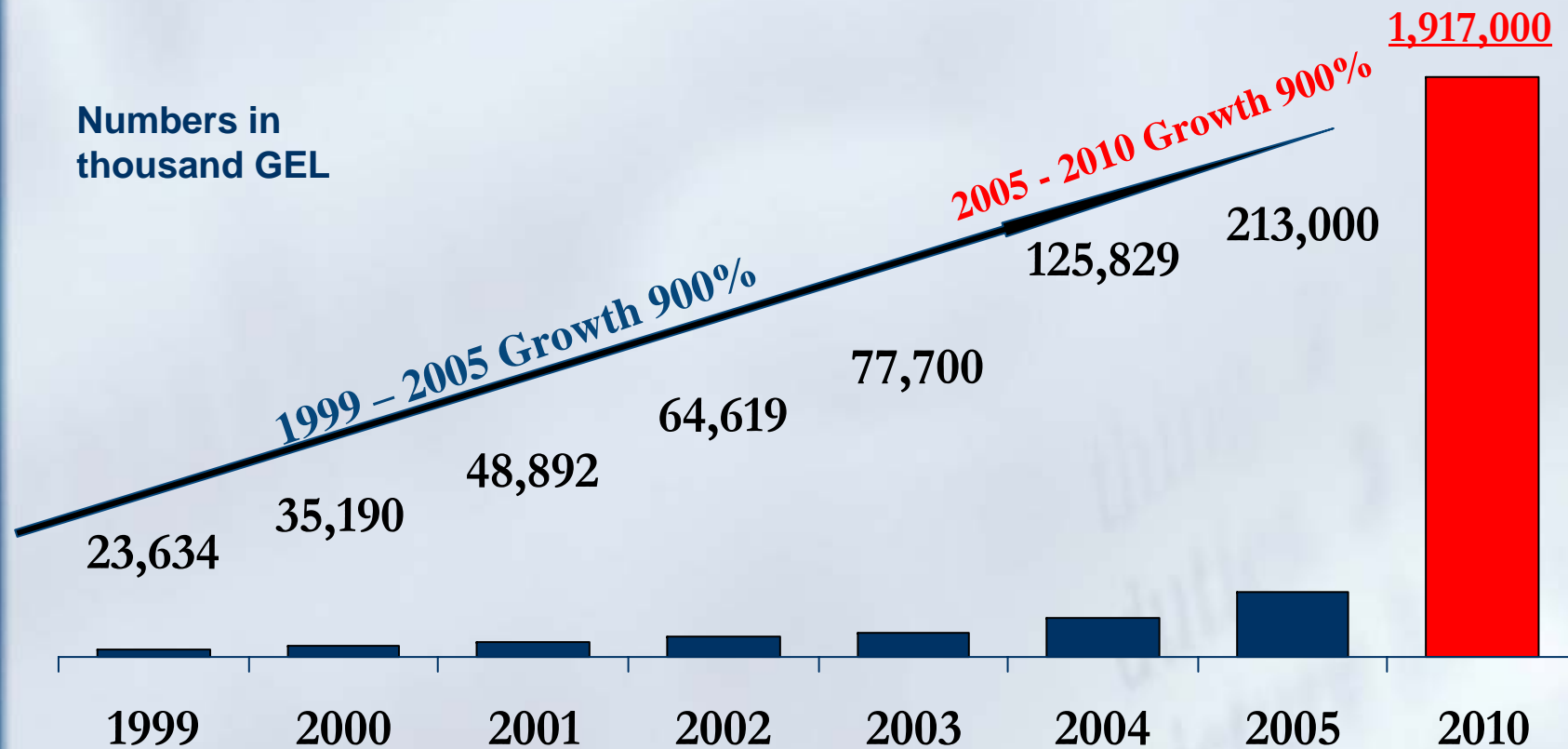
Overview: BR subsidiaries

JSC ALDAGI – leading insurance company, owns 25% of the market, BR shareholding – 50%

JSC Georgian Card – leading card business processing provider in the country, BR shareholding – 42%

Overview: Asset Growth Ambitions

Numbers in
thousand GEL



J.S.C Bank Republic: Strategy

Our objective: To be a leading financial service providers in the corporate and retail sectors

Focus on:

- Urban and semi-urban areas
- Middle/Upper class retail
- Corporations, Multinationals and SMEs

Model:

- Universal banking
- Offer a wide range of products
- High technological channels

Strategy: Sectors of Interest

- ⇒ Construction / Materials, and equipment
- ⇒ Energy - Fossil Fuel Exploration, Oil derivatives import and distribution, Electricity generation, import, and distribution
- ⇒ Communications, IT, Wireless Communications, Fixed-line Communications
- ⇒ Transport & Storage - Air, roads, Ports, Rail
- ⇒ Utilities – Electricity, Gas, Water
- ⇒ Food and Drink Industry
- ⇒ Real Estate
- ⇒ Trade

Strategy: New markets for banking

- ✓ Agriculture
- ✓ Hospitality and Tourism
- ✓ Municipal Infrastructure and public finance

How do we stand, what do we bring

We bring professionals with first-class services and first-class performance

- ⇒ Right cultural environment and individual approach
- ⇒ Well established franchise and power of good business networks
- ⇒ Effective combination of a thorough knowledge of the specific characteristics of the regional market with the best global business standards
- ⇒ Effective model of business services
- ⇒ Transparency and credibility

Key message:

BR + you = partnership

BR *BANK REPUBLIC*

A long-term investor in Georgia's economy

WWW.REPUBLIC.GE